



City of Santa Barbara
Airport Department

Memorandum

DATE: January 21, 2009
TO: Airport Commission
FROM: Karen Ramsdell, Airport Director
SUBJECT: Fiscal Year 2009 Mid-Year Review

RECOMMENDATION: That Airport Commission receive a report on the Airport Department's Fiscal Year 2009 mid-year budget review.

DISCUSSION:

The budget period covered by this review is July through December 2008. The financial report for the six months ending December 31, 2008 (page 4), and provides a year-to-date comparison with the adopted budget for FY 09 including carry forward encumbrances. Historical information for fiscal year 2008 is also included.

The downturn in the economy is beginning to be reflected in aircraft operations (-9%) and passenger traffic, (- 2.6%) for the period. The airlines continue to reduce capacity and in some cases, Express Jet, cease providing service. The decrease in passenger traffic has a direct impact on airline terminal concession revenue. Commercial industrial and Non-Commercial Aviation rentals are doing well at this point, but there has been a slight increase tenants paying rent after the due date. Revenues will continue to be analyzed monthly. Airport staff has been asked to be conservative with operational spending for the balance of the fiscal year.

Revenues

Total Airport Department revenues through the first six months of the fiscal year are **\$6,857,433** or 4.67% (\$452,607) over budget.

Commercial and industrial lease revenue is slightly above (6.4%) target at \$2,031,557. The Airport's properties fill a niche for construction companies, utility contractors, and small businesses. Should economic conditions continue to decline, the vacancy rate may continue to increase. For additional information on Commercial and Industrial properties, please see Airport Commission, agenda item No. 7.

Non-Commercial Aviation revenue includes the rental received from the Transportation Security Administration's lease space in a building adjacent to the airline terminal. It has been reported by the Fixed Base Operator's that business is off 15-25%. Fuel flowage fees are declining due to the very high fuel prices earlier this summer, and currently the reduction in corporate jet activity.

The **Airline Terminal** revenues, \$2,448,506, are down -2.15% reflecting the decrease in passenger traffic. Passenger traffic is down -2.6% in the first six months of the fiscal year due to the loss of Express Jet service in September, and it is anticipated that traffic will remain down with the loss of service to Dallas by American Eagle in April.

All passenger related concessions, restaurant and gift shop and rental car contracts are experiencing decreases in gross sales. Although rental car sales contracts are below estimates, the revenue to the Airport is (\$1,005,538) or 11.4% over budget due to the competitively bid agreement that established a minimum annual guarantee that is significantly higher than 10% of gross receipts. Additionally, a major rental car company, Avis, is now located off airport, so income from Off-Airport Rental Car companies will also exceed previous expectations.

Plans are underway to relocate the gift shop to the central lobby freeing up much needed seating in the Gate 8 & 9 holdroom. **Parking** revenues reflect a decrease of -8.3% for this period, however, total revenue for December activity (Christmas and New Year's) is not included, so this number may improve during the balance of the year.

Commercial Aviation building rental is up 19.2% or \$92,043 above target. The Airline Terminal annual square footage rental rate was held at the same level as the prior year; however, an adjustment was made in FY 2008 to charge the airlines for employee parking based on a daily rate of \$3.45, effectively increasing total revenue. Landing fee revenue is up 12.5% over budget and is indicative of the type of equipment and frequency of commercial flights.

Although the Airport's cash balances have remained fairly constant, the interest revenue from investment yields is exceeding budget by 37.2% or \$76,905. The City's investment portfolio is expected to decrease substantially based on lower yields from the current market. The agreement with **Transportation Security Administration** for reimbursement of security checkpoint costs has been renewed and although reimbursements are lagging, the total budgeted amount is anticipated by year end. **Other** revenue is exceeding budget due to FY 2008 end-of-year rebate adjustments.

Expenditures

At the end of the fiscal year, uncompleted contract and purchase order encumbrances are rolled over into the adopted budget. On the spreadsheet (page 4) please note the

inclusion of the column "Adopted Budget with Carry Forwards" totaling \$616,977 which increased the adopted budget to \$12,814,650.

Overall Departmental operating expenses of **\$5,733,955** are \$673,370 (11.7%) below adjusted budget.

Salaries and Benefits are slightly below budget with vacant positions being covered with overtime and hourly employees.

The Airport tracks **Supplies and Services** in four categories: overall supplies and services, ARFF, Engineering reimbursement, and Allocated costs. A variance of 20.8% is found for overall supplies and services. During the second half of the year more maintenance and airfield projects will be completed bringing this line item close to target. It is anticipated that **ARFF, Engineering and Allocated Costs** will remain within the budgeted amounts.

The expenses for the parking shuttle operation managed by AMPCO, the parking management company, were placed in the **Special Projects** line item so that costs could be monitored. The total year-to-date amount of \$185,987 is for four months of expenses. When the November and December expenses are included in the actual expenditures this line item should be slightly below target. Automated parking equipment was installed in Long-term Lot No. 2 in November. Installation of the remaining equipment is on hold until the Airline Terminal Improvement project begins.

Funding for computer equipment replacement and new vehicles for Security was carried forward from the prior year increasing the **Equipment** expense. Other budgeted equipment will be evaluated before purchases are made for the remaining period.

Summary

Having completed a comprehensive analysis of revenues and expenditures through December 31, 2008, it is anticipated that the Airport will slightly exceed revenue targets and operational expenses are projected to be under budget. No adjustments are anticipated for the remainder of the year.

CITY OF SANTA BARBARA
Airport Operating Fund
Financial Report
For Month Ended 12/31/08 (50% of Fiscal Year)

		Adopted	Adopted	Adopted	Current Y-T-D		
	FY 08	Budget	Budget	Budget	6 mos.	\$	%
	Actual	2009	2009 with carry forwards	2009- 50% of Fiscal Year	Actual	Variance	Variance
Operating Revenue							
Leases							
Commercial & Industrial	\$ 4,171,557	\$ 4,071,450	\$ 4,071,450	\$ 2,035,725	\$ 2,165,746	\$ 130,021	6.4%
Non-Commercial Aviation	1,237,616	1,168,600	1,168,600	\$ 584,300	633,401	\$ 49,101	8.4%
Terminal							
Rental Cars	1,965,757	1,805,850	1,805,850	\$ 902,925	1,005,538	102,613	11.4%
Parking	2,940,724	3,000,000	3,000,000	\$ 1,500,000	1,374,886	(125,114)	-8.3%
Concessions	182,371	198,700	198,700	\$ 99,350	68,082	(31,268)	-31.5%
Terminal sub-total	\$ 5,088,852	\$ 5,004,550	\$ 5,004,550	\$ 2,502,275	\$ 2,448,506	\$ (53,769)	-2.15%
Commercial Aviation							
Building	1,155,865	934,891	934,891	467,446	559,488	92,043	19.7%
Landing Fees	1,101,259	980,109	980,109	490,055	551,268	61,214	12.5%
Landing Fees (Freight/Charter)	47,978	40,000	40,000	20,000	26,360	6,360	31.8%
Commercial aviation sub-total	2,305,102	1,955,000	1,955,000	977,500	1,137,116	159,616	16.3%
Total Leases	\$ 12,803,127	\$ 12,199,600	\$ 12,199,600	\$ 6,099,800	\$ 6,384,769	\$ 284,969	4.67%
Other							
Interest Income	539,339	413,000	413,000	206,500	283,405	76,905	37.2%
TSA Reimbursement	178,324	163,052	163,052	81,526	55,025	(26,501)	-32.5%
Other	114,564	34,000	34,000	17,000	134,233	117,233	689.6%
Other sub-total	832,227	610,052	610,052	305,026	472,663	167,637	54.96%
Total Operating Revenue	\$ 13,635,354	\$ 12,809,652	\$ 12,809,652	\$ 6,404,826	\$ 6,857,433	\$ 452,607	7.1%
Operating Expenses							
Salaries & Benefits	\$ 4,485,157	\$ 4,880,629	4,880,629	2,440,315	\$ 2,307,534	\$ 132,781	5.8%
Supplies & Services (1)	3,005,820	2,959,496	3,488,932	1,744,466	1,444,572	\$ 299,894	20.8%
ARFF	1,552,057	1,616,556	1,616,556	808,278	808,278	\$ -	0.0%
Engineering	359,175	365,107	365,107	182,554	156,172	\$ 26,381	16.9%
Special Project (2)	547,029	700,150	770,150	385,075	185,987	\$ 199,088	107.0%
Equipment	194,911	88,150	167,628	83,814	67,986	\$ 15,827	23.3%
Allocated Costs	1,465,695	1,525,648	1,525,648	762,824	763,426	\$ (602)	-0.1%
Total Operating Expenses	\$ 11,609,844	\$ 12,135,736	\$ 12,814,650	6,407,325	\$ 5,733,955	\$ 673,370	11.7%
Net operating gain / (loss)	\$ 2,025,510	\$ 673,916	\$ (4,998)	\$ (2,499)	\$ 1,123,477	\$ 1,125,976	

Notes:

* Other

Equipment-includes patrol vehicle

Special Projects:

Equipment:

Added \$54,729-workers' comp rebate, \$141-ICS Fund Rebate; \$ 2,293-Info Systems rebate,\$35-info systems rebate; NOC, \$1,521-compensation property damage

\$70,000 added to Budget for GAP Fire Hydro Mulching

Carry forward \$21,043 in computer equipment;\$38,899 Security vehicle;\$12,792 certification and other equipment